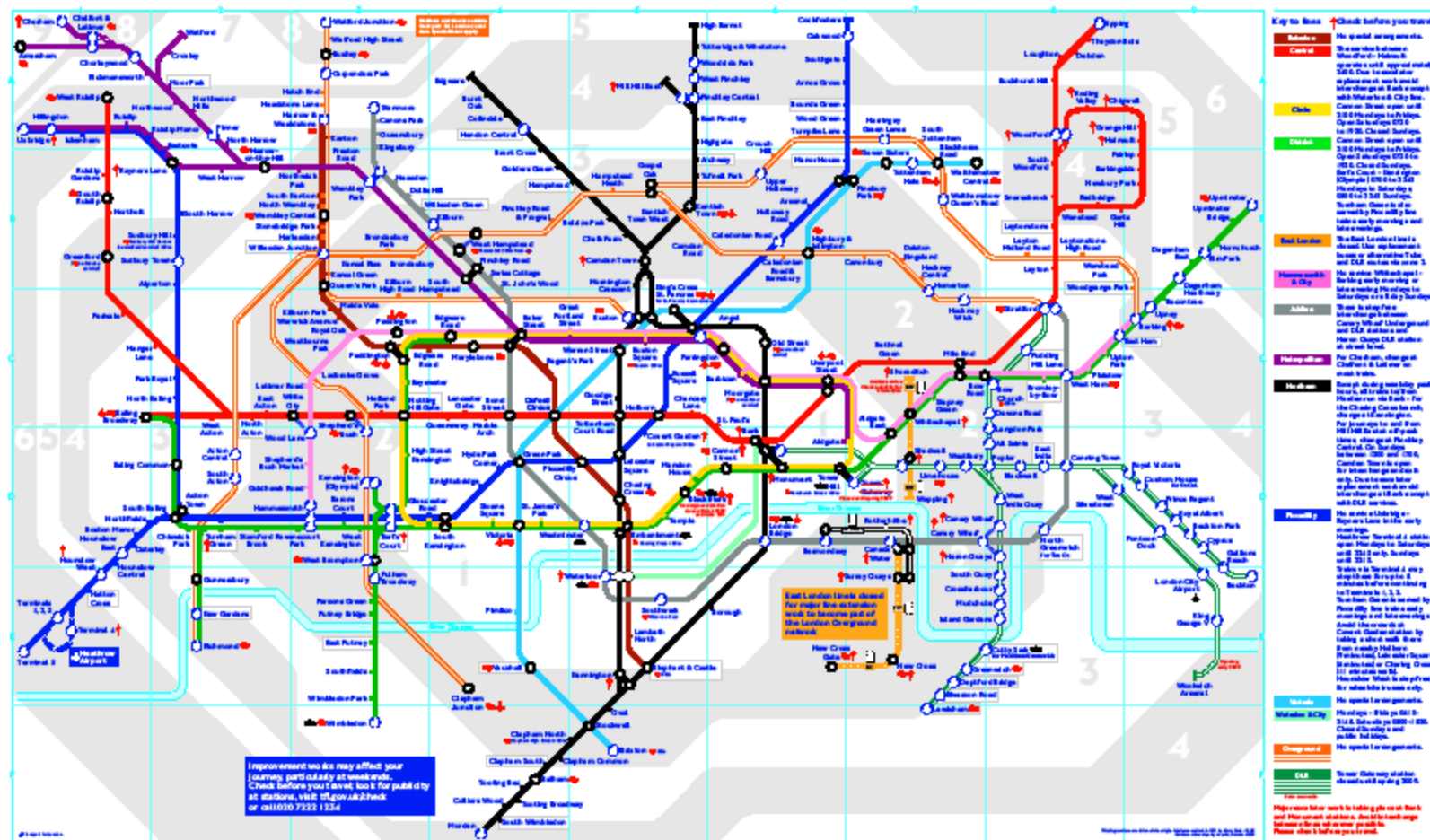


LONDON UNDERGROUND

Source: National Audit Office 2004

PPF Journal

Tube Map



Background

- Oldest tube in the world
- More than 3m users a day
- 276 stations
- 400 escalators
- 600 trains e 800 km of railtrack

The plan

- 2000: 3 PPPs per expand, renovate and maintain TUBE
- Operations in house: LUL (Major of London)
- PPP contract: 30 years; investment £15,700m; £9,700m in the first 7½ years
- Regulated tariff: ISC (infrastructure service charge)
- Uncertain conditions of the network: price review after 7½ years
- Dispute resolution system: PPP Arbiter

- ISC linked to KP indicators (delays, access, ambience)
- Bonus (£3 per hour/passgg saved)
- Deductions (£6 per hour/passgg lost)
- Zero price penalties if contractual standards met

-

- 3 Infracos / 3 tenders
- Negotiated Competitive Procedure
- 6 consortia (26 companies) for 2 Infracos and Railtrack for the third one

The Paddington accident

- Accident London Paddington-Reading with a number of casualties
- Railtrack withdraws
- Bad publicity in the news on the PPP plan
- Opposition by Mayor of London
- Some consortia withdraw. Financiers less willing to participate

The changes

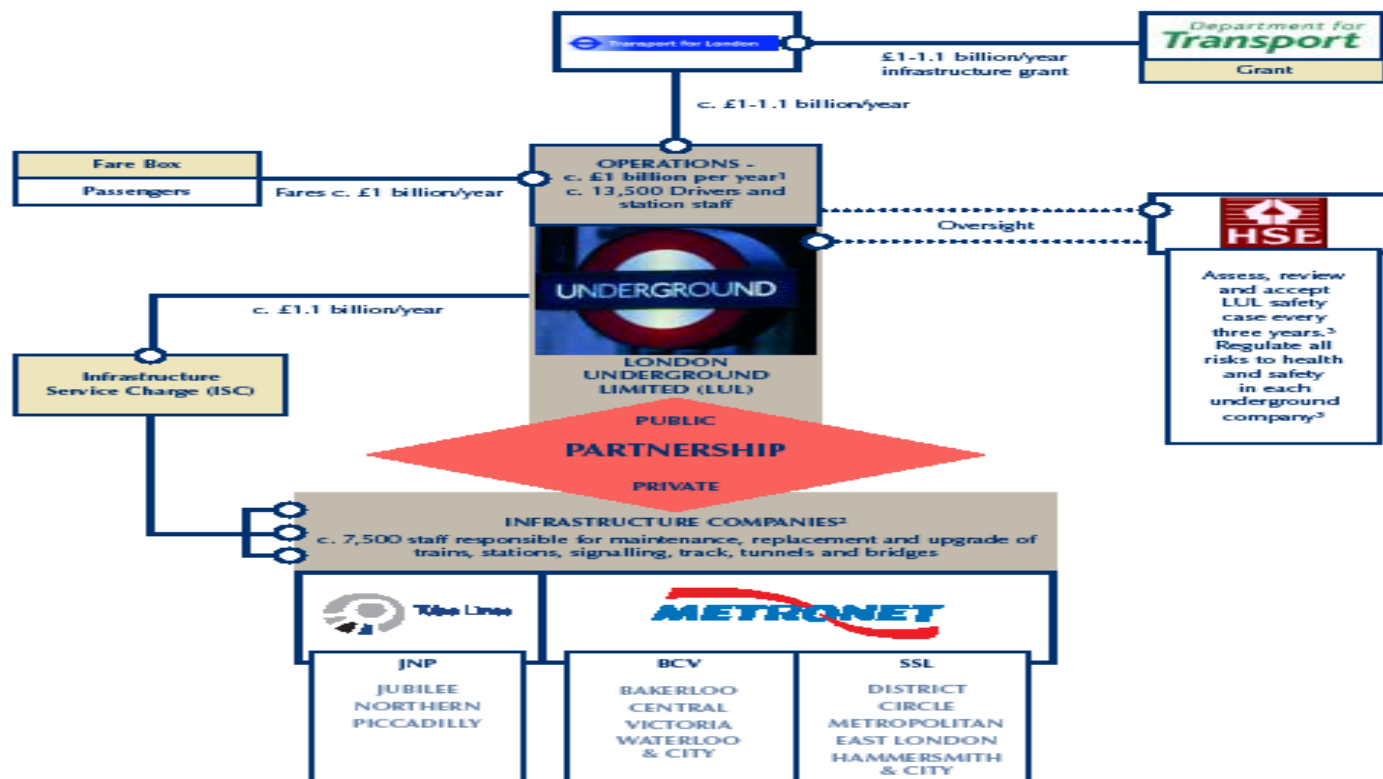
- New independent tender for 3° Infracos
- LUL: to incentivize participation, reimbursement to participation offered
- Political uncertainty: guarantee on 95% of financing
- Rate of return 18-20% per year.
- Private finance 450m more costly than public one at that time despite very little downside risk

The tender

- Metronet: 2 Infracos (from April 2003)
- Tube line: 1 Infracos (from Dec 2002)
- £ 275m in reimbursement tender participation costs (£ 180 expected)
- Transaction costs: £455 m

1 Structure of the Public Private Partnerships (PPPs)

Tube operations and infrastructure are run through a partnership between three parties - LUL, Tube Lines and Metronet. They are paid through a combination of grant and farebox revenue.



NOTES

- 1 All monetary amounts are the most recent annual figures.
- 2 A Partnership Director, nominated by LUL, sits on all three Infraco boards.
- 3 Each Infraco is also required, under the PPP agreement, to satisfy safety requirements.

Source: National Audit Office

Metronet

- **Atkins:** Railway infrastructure design and maintenance management
- **Bombardier:** Rail transportation equipment and related asset management
- **Balfour Beatty:** Construction, engineering and asset management of infrastructure
- **Thames Water:** Asset management under London
- **SEEBOARD:** Distribution of electricity and customer service

Metronet

- £17b. in 30 years; £2.5m a day
- 5 shareholders: capital di £70m each
- £1md debt (Abbey National, CIBC, Deutsche Bank; Royal Bank of Scotland)
- £1md in project bonds with Deutsche Bank, UBS Warburg RBS
- £600m from EIB

Then...in 2007

- July 2007, Metronet goes bankrupt
- and the 95% guarantee?
-£1.7md paid by taxpayers
- Atkins makes profit for per 42.7m

2008

- July 08 Tube Lines makes profit il 2008
- October 08, Tube line participates to tender for Metronet contract